

Greek Collective Bargaining after the Third Memorandum¹

By Thorsten Schulten

The radical restructuring of Greek collective bargaining was right from the beginning one of the core demands of the Troika of the European Commission, the European Central Bank and the International Monetary Fund (Schulten, 2015). Under the first two Memoranda, Greece was forced to agree to far-reaching changes in the legal framework of collective bargaining which led to a radical decentralisation and a large-scale elimination of multi-employer agreements. According to the third Memorandum from August 2015 the development of Greek collective bargaining should now be evaluated by an international commission composed of independent experts as well as representatives from international organisations – including the institutions of the Troika, but also the International Labour Organisation (ILO). Based on this, further reforms of the Greek bargaining system should be decided in light of “best practices” in Europe.

Changes in Greek collective bargaining law under pressure of the Troika

Since the beginning of the 1990s Greece had a comprehensive collective bargaining system with strong multi-employer bargaining at national, industry and occupational level and a comparatively high bargaining coverage of around 80 per cent. At the national level the peak organisations of trade unions and employers negotiated a collective framework agreement in which certain minimum working conditions – including the level of the national minimum wage – were agreed. Building on that, collective agreements could be agreed both at national and regional level for particular branches or occupational groups. Finally, companies could conclude special company agreements with the responsible trade unions.

The structure of the Greek collective bargaining system was strictly hierarchical in accordance with the favourability principle, so that collective agreements at a lower level could only contain provisions that were more favourable for the workers. On top of that, extensions of collective agreements were widespread, taking into account the fact that the Greek economy is largely made up of small and micro-companies. There was thus an *erga omnes* rule for the general national collective agreement, according to which all companies were bound by that agreement. Branch and occupational agreements were, as a rule, declared generally binding by the Greek Ministry of Labour, as long as they covered a majority of the employees in the relevant branch or occupational group. Apart from that, less binding collective agreements could be declared generally binding if this was proposed by one of the two bargaining parties.

The policy of the Troika, however, followed the assumption that the major cause of the Greek crisis was a lack of competitiveness which had to be improved by a policy of ‘internal devaluation’, in particular, through the cuts of wages and other labour costs. Thus, the changes in Greek collective bargaining law introduced in autumn 2011 include three major points:

1. The abolishment of the favourability principle in the hierarchy of collective agreements so that company agreements became free to determine downward derogations from higher-level agreements.
2. The abolishment of *erga omnes* rules and extensions of collective agreements
3. The suspension of the trade union monopoly in collective bargaining through the permission for non-trade union representations to conclude company agreements, if they are supported by at least three fifth of the workforce.

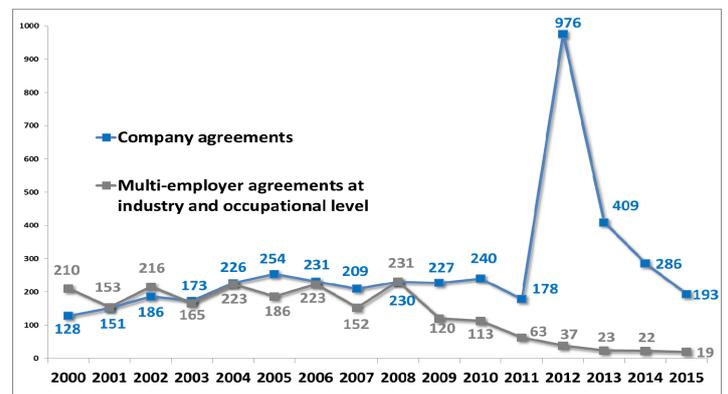
In addition to that a number of further changes were made in 2012, such as the reduction of the after-effects of collective agreements from six to three months, as well as the legal cut of the collectively agreed minimum wage by 22 per cent (32 per cent for young employees under 25 years of age) and the decision that in future the minimum wage should no longer be determined by national collective agreement, but by law.

Effects of the collective bargaining reforms in practice

The sweeping changes in Greek collective bargaining law led in practice to a radical transformation of collective bargaining. The most evident sign of this is the decline of multi-employer agreements (Figure 1). Even though no official data are available on current collective bargaining coverage, it is likely that only a small minority of employees come still within the scope of a multi-employer agreement.

Immediately after the adoption of the collective bargaining reform in autumn 2011 for a short while there was an extremely high increase in newly concluded company agreements. In the ensuing years, however, there was a dramatic falling off and now their dynamics are once more at their pre-crisis level. The growth in company agreements thus appears to be rather a temporary phenomenon than a permanent compensation for the decline of multi-employer agreements.

Figure 1: Newly concluded collective agreements in Greece 1990-2015*



* 2015 up to and including August

Source: Greek Mediation Authority and Greek Ministry of Labour

The rather temporary character of the new company agreements is confirmed by the particular form and contents of these agreements. The large majority of the new company agreements were not concluded by trade unions, but by non-trade union workers' representatives. According to research by the University of Patras out of a total of 1,336 company agreements concluded between November 2011 and December 2013 only 30 per cent were signed by trade unions and the remaining 70 per cent by non-trade union workers' representatives.

In almost all new company agreements the new collective bargaining law options were exercised, opened up by the demise of the favourability principle: accordingly, three-quarters of all agreements contained wage cuts, while the rest froze wages at their existing level. Wage increases, by contrast, were conspicuous by their absence, being found in a mere 1.5 per cent of all agreements.

Chances for restoration?

The restructuring of the Greek collective bargaining system has led to a radical decentralisation and far-reaching erosion of collective bargaining. On the Troika's understanding, this has been 'successful' insofar as it has contributed to wage cuts in Greece which, with an average fall in real wages of 20 per cent, have been more severe than in any other European country. However, the accompanying hope that this would lead to a new export-driven economic upturn by boosting Greece's price competitiveness has not been fulfilled. Wage cuts, by contrast, have led to a drastic fall in aggregate demand and have served only to exacerbate the crisis.

Against this background, in April 2015 the Syriza government presented a draft law on the restoration of collective bargaining. In essence, the draft law provided for the reintroduction of the favourability principle in the hierarchy of collective agreements, the possibilities of extension of collective agreements and the reinstatement of trade unions as the sole legitimate negotiating party at company level. In companies without plant trade union representation company agreements would be concluded by local or sectoral trade union representatives. Furthermore, the draft law provided that, by mid-2016, cuts in the minimum wage should be revoked in two stages and the minimum wage level of 2011 restored. The adoption of that law failed, however, because of the resistance of the Troika.

Within the framework of the third Memorandum adopted in August 2015 it was agreed that the Greek government "will launch by October 2015 a consultation process led by a group of independent experts to review a number of existing labour market frameworks, including collective dismissal, industrial action and collective bargaining". At the behest of the Greek side the ILO will also be included in the consultation process. The Greek government, however, has to reach agreement with the Troika on the whole "organisation, terms of reference and timelines" of this consultation process as well as on future changes in collective bargaining law.

Substantively, the third Memorandum provides that the future development of the Greek collective bargaining system shall take "into account best practices internationally and in Europe". However, what "best practice" might be with regard to collective bargaining is extremely controversial. In the past – not only in Greece, but in many other European countries – the Troika has made no bones about its view that 'best practice' consists of a radically decentralised collective bargaining system with a low bargaining coverage.

By contrast, the Directorate General for Employment at the European Commission, for example, in its recent Industrial Relations Report, once more expressly asserted that it is the countries in Europe with the most developed and comprehensive labour relations and collective bargaining that have come through the crisis best. Within the framework of the planned consultation process it is therefore of no little importance whether the European Commission is represented by the more neoliberal oriented DG Economic and Financial Affairs or by DG Employment, which on this issue really should take the lead.

An important role will also belong to the ILO which principally stands for a comprehensive collective bargaining system and a high bargaining coverage. The ILO has already complained that the Troika-imposed legal changes have led to a significant weakening in Greek collective bargaining.

The coming discussion on the future of the Greek collective bargaining system thus promises to be controversial. With the participation of the Troika on one hand, and the ILO on the other the discussions will not only be confined to Greece, but will be international with an impact also for other European countries. Against this background the European trade unions would be well advised to get involved in this discussion and to lend their support to the Greek side in its attempt to restore the collective bargaining system.

¹ This is a short version of a more detailed analysis: Thorsten Schulten, Opportunities for a Restoration? The Future of Greek Collective Bargaining after the Third Memorandum, Friedrich Ebert Stiftung, Berlin, September 2015, <http://library.fes.de/pdf-files/id-moe/11624.pdf>

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Schulten, T. (2015) Opportunities for a Restoration? The Future of Greek Collective Bargaining after the Third Memorandum. Friedrich Ebert Stiftung, Berlin. <http://library.fes.de/pdf-files/id-moe/11624.pdf>

Memorandum of Understanding between the European Commission Acting on Behalf of the European Stability Mechanism and the Hellenic Republic and the Bank of Greece, August 2015. (http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/pdf/01_mou_20150811_en.pdf)